



MINUTES

School Finance Formula Review Committee

November 23, 2004

MEMBERS PRESENT:

Senator Nancy Boettger, Cochairperson
Senator Michael Connolly
Senator Keith Kreiman
Senator Doug Shull

Representative Jodi Tymeson, Cochairperson
Representative Kraig Paulsen
Representative Roger Wendt

MEETING IN BRIEF

Organizational staffing provided
by: Richard Nelson, Senior
Legal Counsel, (515) 242-5822

Minutes prepared by: Kathy
Hanlon, Senior Research
Analyst,
(515) 281-3847

- I. Procedural Business.
- II. Community College Sharing Programs.
- III. School Budget Review Committee — Powers and Duties.
- IV. Dropout and Dropout Prevention Programs.
- V. Property Tax Valuation.
- VI. Transportation.
- VII. Discussion — Next Meeting.
- VIII. Materials Distributed/Written Documents Filed With the Legislative Services Agency.



School Finance Formula Review Committee

I. Procedural Business.

Call to Order. The second meeting of the School Finance Formula Review Committee was called to order by Cochairperson Tymeson at 10:05 a.m., Tuesday, November 23, 2004, in the Legislative Dining Room of the State Capitol Building in Des Moines, Iowa.

Preliminary Business. Senator Shull moved adoption of the minutes of the August 24 meeting. The motion was seconded and unanimously approved on a voice vote.

Adjournment. The meeting adjourned at 2:45 p.m.

II. Community College Sharing Programs.

Dr. L. Gene Gardner, Executive Director of the Iowa Association of Community College Trustees, and Dr. Michael C. Morrison, President of the North Iowa Area Community College (NIACC), discussed the variety of sharing programs being undertaken between school districts and community colleges. Discussions began in the 1990s when it was recognized that the senior high school year is not well-utilized. Dr. Morrison distributed a progress report focusing on evolving into a more seamless delivery system to support students in their transition from secondary to postsecondary education levels. The report concludes that postsecondary enrollment option (PSEO) students are not only academically capable, but enter courses with higher ability levels than traditional college students and achieve at higher levels than on-campus students; quality control studies involving the assessment of student outcomes for regional academy and PSEO courses versus traditional courses were equal; and tech prep programs offer a number of advantages for high school students and allow the state to recover costs in state general aid. PSEO students transfer to regents universities at high rates. Longitudinal studies of tech prep students from NIACC indicate that 93 percent remain in Iowa and find employment in the state. The average hourly wage for tech prep students for the high school class of 1999 averaged \$13.46 in 2004. Regional academies offer more programs to high school students, provide students with access to state-of-the-art equipment and curricula, facilitate the transition to college expectations, and allow junior and senior high school students to earn nearly a full year of tuition-free, higher education credit by the time they graduate from high school.

Recommendations. Dr. Morrison and Dr. Gardner advocated the following recommendations relating to community college and high school partnerships: adequately fund community colleges by providing an additional \$7.8 million in state general aid; provide greater flexibility in raising operating funds in local districts; provide a sustainable revenue source for technical education, workforce training, accelerated career education (ACE) programs, and entrepreneurship; reinstate funding for instructional program equipment; protect supplemental weighting for high school partnership programs; remove supplemental weighting barriers for education programming that uses the Iowa Communications Network or Internet; remove PSEO barriers, including restrictive language relating to similarly named courses offered by both a high school and a postsecondary course that permits a school district to deny a



student's request for a PSEO course, and require that school districts report to the department on their activities to inform students and parents about PSEO courses; significantly increase vocational-technical education grants and develop community college entrepreneurship centers; and support the Iowa Learns Council's recommendations relating to postsecondary education opportunities.

Supplementary Weighting. Dr. Lee Tack, Administrator of the Division of Financial and Information Services for the Iowa Department of Education, provided information relating to the types of supplementary weighting available for sharing programs, how supplementary weighting is calculated and how much funding it generates, and how supplementary weighting can be distinguished from PSEO courses.

Discussion. Dr. Morrison noted that NIACC shares its remediation data with school district superintendents, not necessarily with school boards. Dr. Gardner suggested that community colleges across the state are ready and willing to partner with local school districts, but that some districts lack the leadership to enter into agreements with their local community college. Dr. Morrison added that the reduction in state and local funding to community colleges in recent years has resulted in faculty and staff losses and has restricted expansion of successful programs. He noted that community colleges are sometimes able to develop partnerships with businesses, but it takes resources to cultivate those partnerships.

III. School Budget Review Committee — Powers and Duties.

Ms. Judy Jeffrey, Director of the Iowa Department of Education, accompanied by Mr. Dennis Dykstra, Administrative Consultant in the Bureau of Children, Family & Community Services at the Iowa Department of Education, and Dr. Tack, summarized the statutory basis for and authority of the School Budget Review Committee (SBRC) and illustrated how special education rates are established.

Discussion. Committee members discussed the concern that SBRC authorization of additional allowable growth can create a disincentive on the part of low-property-tax-valuation districts to make needed requests for levy authority, leading to a disparity in comparison to high-property-tax-valuation districts. Dr. Tack noted that the SBRC shares this concern and sometimes strongly encourages districts to build up their reserves or go to the community for levy authority, but admitted that the SBRC has no ability to force districts to make necessary changes. Dr. Tack offered to provide members with the exact data regarding the purposes for which school districts request from the SBRC additional allowable growth. Committee members also discussed the possibility of providing the assistance in the form of state grants and reducing the number of programs relying on additional allowable growth.

IV. Dropout and Dropout Prevention Programs.

Mr. Ray Morley, At-Risk Programs Consultant at the Department of Education, and Dr. Tack discussed dropout and dropout prevention from both a funding and programmatic standpoint. Dr. Tack presented modified allowable growth figures for the program for FY 2004-2005, and



School Finance Formula Review Committee

distributed a graph depicting the number of school districts receiving program dollars broken down by district enrollment size. The Iowa Code sets program funding annually on a basis of 25 percent or more from the district cost of the school district and up to 75 percent by an increase in allowable growth. Mr. Morley noted that the programs are growing, and observed that program costs are low compared to the costs to a community if the programs were not available. The data indicates that 55 to 70 percent of students from such programs go on to the postsecondary level. Mr. Morley summarized the statutory basis for the programs, program requirements, integration of the requirements into the comprehensive school improvement process, and the local review process for at-risk students.

Discussion. Senator Kreiman observed that, in general, larger-sized school districts more frequently apply to the SBRC for additional allowable growth for dropout and dropout prevention programs; however, Mr. Morley noted that some of the smallest, poorest districts provide high-quality programs, and that very few districts do not have a program. Some districts work together in consortiums to provide programs. Mr. Morley agreed to provide to the Committee data on the dropout rate based on school populations.

V. Property Tax Valuation.

Mr. Dick Stradley, Property Tax Administrator, Iowa Department of Revenue, provided an overview of property tax valuation methodology in the state. Mr. Stradley noted that in fiscal year 2002, approximately \$2 billion of the \$3 billion in property taxes levied statewide was levied by K-12 schools and counties, with cities accounting for \$862 million. He also summarized the development and calculation of the productivity assessment method for agricultural realty; drew comparisons with economic trends since 1979 with the fluctuations in market value and productivity value, and noted the effect the farm economy has had on market values; discussed assessment limitations and rollbacks; described the impact of increasing the uniform levy; and discussed the effect of opening or closing a large industrial operation on property tax valuation levels as an example of districts which may be transformed from lower to higher property tax valuation districts, or from higher to lower valuation districts.

Discussion. Dr. Tack noted that as the uniform levy is raised, the foundation level must be adjusted in order to avoid changes to property tax levels. Mr. Stradley noted that he has seen market influences transform a lower tax valuation district into a higher property tax valuation district, and vice versa, but observed that the changes came about only because of decisions made by industry. He questioned the achievability of legislating growth or otherwise controlling the market. He observed that any decision on property taxes causes a shift, and though the effect overall may be revenue-neutral, there will always be winners and losers.



VI. Transportation.

Dr. Tack, accompanied by Mr. Max Christensen, Executive Director for Transportation at the Department of Education, related information regarding overall state transportation costs and the wide degree of variation in per pupil costs across school districts. Dr. Tack reported that the total cost of transporting students to and from school in FY 2002-2003 was approximately \$89 million, with a range from approximately \$1 per student enrolled to approximately \$618 per student enrolled. He provided members with estimates for cost to the state of various transportation funding options, including covering transportation costs above 150 percent of the state average, covering 50 percent of transportation costs over the state average, and covering 100 percent of transportation costs over the state average. Mr. Christensen indicated that some districts operate in cooperation with municipal or regional transit authorities.

Discussion. Dr. Tack noted that when the school aid formula was first introduced, transportation costs were built in, but over time, the increase in transportation costs has not been addressed. He observed that districts have tried to be as efficient as possible. The expansion of the physical plant and equipment levy to include bus replacement was helpful, addressing both safety and efficiency issues. He estimated that 80 percent of a district's transportation costs are incurred because of state laws requiring districts to transport students who live a specified distance from schools. The remaining 20 percent of transportation costs result from decisions to transport students because of safety concerns or for convenience. School districts are not limited to using the typical large yellow bus for all of their student transportation needs. They have the flexibility determining the type of vehicle to use and may use smaller, more efficient vehicles. Mr. Christensen noted that the costs when using private transportation companies are generally equal to the costs of district-operated transportation. The committee also discussed rolling statewide district transportation costs into the school aid formula, providing a designated amount of financial assistance to school districts, rewarding school districts for efficiencies, approaches being utilized in other states, and the extent to which excessive transportation costs impact educational adequacy arguments.

VII. Discussion — Next Meeting.

Dr. Tack was asked to provide options for school finance formula changes at the next meeting. The committee agreed to hold its third and last meeting, at which the Committee will consider recommendations to the General Assembly and the Legislative Council, on Thursday, December 16, 2004, at 10:00 a.m.

VIII. Materials Distributed/Written Documents Filed With the Legislative Services Agency.

The materials listed below were distributed at or in connection with the meeting and are filed with the Legislative Services Agency, Legal Services Division. The materials may be



School Finance Formula Review Committee

accessed from the committee's internet page at:

<http://www4.legis.state.ia.us/aspx/Internet/Committees/Committee.aspx?id=59>

1. Second Meeting Agenda and Supporting Materials, submitted by Mr. Richard Nelson.
2. Community College and High School Partnerships.
3. Recommendations, provided by Dr. L. Gene Gardner and Dr. Michael C. Morrison.
4. Progress Report: An Evolutionary Path Toward a More Seamless Delivery System/Making the Senior Year Count, A Focus on Outcomes, prepared by Dr. Michael C. Morrison.
5. A folder provided by Dr. Lee Tack containing the following:
 - Supplementary Weighting
 - Course Areas — Community College Supplementary Weighting
 - Community College Supplementary Weighting by Enrollment
 - Supplementary Weighting: Alpha Order
 - Supplementary Weighting: Rank Order
 - September 2003 Supplementary Weighting by Community College
 - Introduction to the School Budget Review Committee (SBRC). Who is the School Budget Review Committee (SBRC)?
 - SBRC Modified Allowable Growth for Dropout Prevention Program
 - SBRC Modified Allowable Growth for the Dropout Prevention Program — FY 2005
 - Dropout/Dropout Prevention Modified Allowable Growth 2004-2005 (two pages: one beginning with number of districts and second with enrollment)
6. School Budget Review Committee (SBRC) – Duties in Regard to Special Education, distributed by Ms. Judy Jeffrey and Mr. Dennis Dykstra.
7. Generating Headcounts and Weightedness by Levels, distributed by Mr. Dennis Dykstra.
8. Programs for Returning Dropouts and Dropout Prevention, provided by Mr. Ray Morley.
9. Iowa Alternative Schools Serving Returning Dropouts and Other Students — August 13, 2003, provided by Mr. Ray Morley.
10. Flowchart Depicting Student Learner Progress Through a Learning Alternative to Achieve Learner Goals/High School Education, provided by Mr. Ray Morley.
11. Iowa Success Stories of Alternative Schools and Students: April 2004, prepared by the Iowa Association of Alternative Education, provided by Mr. Ray Morley.



- 12.** Iowa Property Tax, prepared by Mr. Dick Stradley.
- 13.** Average Transportation Cost Per Student Enrolled, provided by Dr. Lee Tack.
- 14.** Transporting Students to and From School 2002-03 Annual Transportation Report, provided by Dr. Lee Tack.
- 15.** District Cost Per Pupil/District Cost Per Pupil Minus Transportation Cost per Pupil, provided by Dr. Lee Tack.
- 16.** District Cost Per Pupil Less Transportation Cost: Alpha Order, provided by Dr. Lee Tack.
- 17.** District Cost Per Pupil Less Transportation Cost: Rank Order, provided by Dr. Lee Tack.
- 18.** Transportation Funding Options: Alpha Order, provided by Dr. Lee Tack.
- 19.** Transportation Funding Options: Rank Order, provided by Dr. Lee Tack.

35121C